FINANCIAL STATEMENTS

1. Margin = <u>G.P</u> = <u>Sales – Cost</u>

*

Sales Sales

<u>20</u> S = S – (160,000 + 1800,000- 200,000)

100 S- 1q,1760,000

<u>80</u> S = 1,1760,000

100

S = <u>17600X 100</u>

80

2. The following balances were r extracted from the books of Masai retailers on 14th July 2000

Prepare the trading account for the period ended 14th July 2000

Masai net trading account for the year ended 14th July 2000

Opening stock	30 000	Sales 1 000 000
Purchases 800 000		(Less) return inwards 20 000
(less) return 15 000	785 000	Net sales 980 000
G.A.S	815 000	
Closing stock	80 000	
C.O.S	735 000	

Gross profit	245 000	
	980 000	980 000

Mark up=$^{GP}/_{COS}$ X100=20

$^{1}/_{5-1}$= ¼ x25=$^{GP}/_{980\ 000}$

=25X$^{980\ 000}/_{100}$

=Sh.245 000

3. Margin;

$$\frac{G.P}{\text{Net sales}} \times 100$$

$\frac{90,000}{270,000}$ x 100=33 1/3

R.O.S.T. = $\frac{\text{Cost of goods sold}}{\text{Average stock}}$

= $\frac{180000}{115,000}$

=1.6 times

4. Average stock 120,000

ROSTO = 3times

(a) From ROSTO = $\frac{\text{cost of sales}}{\text{Average stock}} = \frac{COS}{120,000}$

$3 = \frac{COS}{120,000}$

$\therefore$COS = 120,000 x 3 = 360,000

(b) From margin, Mark up = $\frac{1}{4-1} = \frac{1}{3}$

$\frac{1}{3} = \frac{GP}{COS}$

$\frac{1}{3} = \frac{GP}{360,000}$ = 3GP = 360,000

GP = 120,000

$\therefore$Gross Profit = Shs. 120,000

(c) From margin = $\frac{1}{4} = \frac{GP}{sales}$

Sales = 4 x 120,000

Sales = 480,000

5. Bondo traders

Trading account

For the year ended 31 Dec 2004

Opening	2 000	Sales	56 400
Purchases	46 000		
	48 500		
Less closing stock	1 500		
	49 000		
G P c/d	9 400		
	56 400		56 400

6. -External borrowing e.g. from IMF and World Bank

- Solicit for foreign grants/donations/aids from donor countries
- Reduce government expenditure through cost-cutting measures
- Sale and lease back of public assets
- Introducing new taxation of selected goods

7.

Half Bilha Traders

Profit and loss Account

For the month ended 30th Sep, 2009

Cost of sales		Net sales	300000
150000			
Gross profit c/d			300000
50000		Gross profit b/d	150000

300000	Discount received 6000
Expenses	
Carriage outwards	
12000	156000
Bad debts	Net profit 74000
30000	
Wages	
25000	
Rent	
15000	
Net profit	
74000	
156,000	

8. (a) Gross profit

$$\text{Mark up} = \frac{G.P}{\text{cost of sales}} = \frac{2}{3}$$

Margin = ${}^{2}/_{2+3} = {}^{2}/_{5}$

h.p = ${}^{2}/_{5}$ x 5,400,000 = 2,160,000

(b) Cost of sale = sales – G.P

5,400,000 – 2,160,000 = 3,240,000

(c) Net profit = G.P – Expenses

= 2,160,000 – 800,000 = 1,360,000

9. ***The following information relates to Mandu enterprises limited***

Stock (1.1.2009)	***40000***
Stock (31.1.2009)	***60000***
Purchases	***500000***
Margin	***20%***

Prepare Mandu Enterprises Limited Trading account for the year ended 31st December, 2009

MANDU ENTERPRISES LIMITED
TRADING AND ACCOUNT
For the period ended 31st Dec, 2009

Dr				Cr
				Shs.
Shs			Sales	600000
Opening stock		40000		
Add purchases		500000		
COGAS		540000		
Less closing stock		60000		
COGS		480000		
Gross profit	20000			600000
		600000		

Margin to mark up
20% or $^{1}/_{5} = {}^{1}/_{5-1} = ¼$

$\therefore$ Gross profit = ¼ x 480000 = 120,000

10. a) Working capital

= current assets – current liabilities
= 320000 – 99000 = 221000

b) Return on capital

$= \frac{NP}{\text{Capital invested}} \times 100$

$= {}^{95000}/_{525000} \times 100 \qquad = 18.09\%$

11. Mark- up = $\frac{G.P}{Cos}$ x100

10%=$\frac{G.P}{96,000}$ X100

GP=9,600

Sales=Cost +G.P = 96,000+9600=105,600

Atis

Trading and loss account

For the month ending 30-6-2008

Opening stock 22,000		Sales 105,600
Add purchases 100,000		
Co GAS	122,000	
Less c.s	26,000	
Cos	96,000	
G.P c/d	9,600	
	105,600	105,600
		BAL b/d 9,600

12. SHAH TRADERS

Trading account for the period trading 30th June 2010

Opening stock 65000	Sales 280000
Add purchases 190000	Less sales returns (4200)
Less purchases returns (10000) 180000	 275800
Goods available for sale 245000	
Less closing stock 70000	

Cost of sales 175000	
Gross profit c/d 100800	
  275800	 275800
	Gross profit b/d 100800

13.

Chombo wholesalers
Trading A/C for the year
Ending 31st Dec, 2009

Opening stock	Sales 500000
80000	
Add purchases	
320000	
Goods available for sale	
400000	
Less closing stock	
40000	500000
Cost of sales	Gross profit b/d 140000
360000	
Gross profit c/d	
140000	
500000	

a) Margin = $\frac{G.P}{sales} \times 100$

$= \frac{140000}{500000} \times 100$

$= 28\%$

b) Current ratio = Current assets : current liabilities

Current asset = 40000 + 140000 = 180000

Current liabilities = 90000

180000 : 90000

2:1

c) Rate of stock turnover = $\frac{\text{cost of sale}}{\text{Average stock}}$

= $\frac{80000 + 40000}{2}$ Average stock

= 60000

= $\frac{360000}{60000}$

= 6 times

14. i) Sales for the year

Mark up = $\frac{GP}{COGS}$ X 100

25 = $\frac{100,000}{COGS}$ x 100

COGS = $\frac{100,000}{25}$ X 100

COGS = kshs. 400,000

But sales = COGS + GP

= 400,000 + 100,000 = kshs. 500,000

ii) Rate of stock turn over

Rates of stock turn over $\frac{COGS}{Av}$

Average stock = $\frac{\text{opening stock + closing stock}}{2}$

Closing stock = purchases + opening stock -COGS

= 400,000 + 40,000 – 400,000

= Kshs. 40,000

FINANCIAL STATEMENTS

1. ***Mark up*** $= \dfrac{\textbf{GP}}{\textbf{Cost of sales}}$

$\frac{1}{4} = \dfrac{GP}{60{,}000}$

4GP = 60,000

GP = 15,000.

i) ***Net sales = Cost of sales + gross profit***

60,000 +15,000 =75,000

ii) ***Average stock : stock turn = $\dfrac{\textbf{cost of sales}}{\textbf{Av. stock}}$***

$^5/_1 + \dfrac{60{,}000}{AV}$

5AV + 60,000

AV = 12,000

iii) ***Opening stock .***

$AV = \dfrac{op.st + cl.stock}{2}$

24,000 = 8000 + op stock

Op.stock = 16,000

iv) Cost of sales

op.st + p – cls

60,000 = 16,000 + p – 8000

Purchases = 42,000

2.

Vumilia Traders
Trading, profit and loss account
For the year ending 31st December 2006.

Opening Stock	25,000	Sales	
120,000			
Add. Purchases	45,000		
	70,000		
Add. Carriage on purchases	1,200		
Cost of good sold	71,200		

Less. Closing stock 25,000
Cost of sales 46,200
Gross profit c/d 73,800
120,000

120,000

Expenses

Carriage on sales 2,000 Gross profit b/d
73,800

Discount allowed/ 3,400 Add: Dis received
1,950

Insurance paid 5,900
Less Prepaid 900
5,000

Salaries 12,450
ADD Outstanding salaries 450
12,900

Machinery 12,800
Total Expenses 36,100
Net profit c/d 39,630
75,730

75,730

Vumilia Traders

Balance sheet

AS AT 31st December 2006

Machinery 128,000 | Capital
125,000

LESS Deprec 12,800 | Add. Net Profit
39,630

115,200

164,630

Stock 25,000

Insurance prepaid 900

Debtors 25,000 creditors

15,500

Bank 14,500 outstanding salaries

450

180,600

180,600

3. Mapato Traders

Balance sheet

As at 31st dec 2009

Fixed assets					
Land and building	300 000		capital	422 930	
Furniture and fittings	51 500		+net profit	220 500	
Machinery	140 000			643 430	
Motor vehicle	190 000		-drawings	175 000	
	681 500			468 430	
Current assets			long term liabilities		
Stock	124 500		mortgage loan	30 000	
Debtors	103 650		bank loan	400 000	
Cash at bank	54 850				430 000
Cash at hand	3650		current liabilities		
		286 650	creditors		99 730
		968 150			968 150

i) Working capital

Working capital=current assets-current liabilities

CA=stock+ debtors+ cash in hand+ cash at bank

=124500 +103650 +54850 +3650 =sh 286650

CL=creditors=99720

∴W.C=286650-99720 = sh 186,920

ii) Return on capital

Return on capital=$\frac{\text{net profit}}{\text{Capital invested}}$ x 100

=$\frac{220500}{422930}$ x 100

=52%

iii) Current ratio

iv) Capital employed

Capital employed=capital owned +long liability

=468430+400000 = 868430

Or

=fixed assets + working capital

=481500+186930 =868,430

v) Borrowed capital

Borrowed capital=long term liabilities

=mortgage loans +bank loan

=300000+100000 =sh 400000

Chunga Traders

Profit & Loss A/C

For the Period Ending 31/12/2000

	Kshs		Kshs
Salary	20,000	Gross profit	80,000

Rent	12,000	Discount received	4,000
Electricity	3,000	Commission received	6,000
Net Profit	55,000		
	90,000		90,000

Chunga Traders

Balance Sheet

As At 31/12/2000

	Kshs.		Kshs.
		Capital -	395,000
Fixed Assts	350,000	+ Net Profit	55,000
		- Drawings	50,000
Cash	60,000	Closing Stock	400,000
Debtors	20,000	Bank overdraft	10,000
Stock	30,000	Creditors	50,000
	460,000		460,000

(i) Working Capital = CA - CL

= 110,000 – 60,000 = 50,000

(ii) C. Employed = FA + WC

= 350,000 + 94,000 = 444,000

5.

Nyamaiya Traders Profit & Loss Account for the year ended 31st May 2009	
Depreciation: Equipment 180,000 Furniture 43,500 Power & lightning 24,000 General expenses 240,000 Increase in provision for bad debts 500 Discounts allowed 29,000 Net profit c/f 83,000	Gross profit 400,000 Commission received 170,000 Less: Advance 10,000 160,000 Discounts received 40,000
600,000	600,000

Nyamaiya Traders Balance sheet as at 31st May 2009	
<u>Fixed assets</u> Equipment 900,000 LESS: Depreciation <u>180,000</u> 720,000	Capital 1,000,000 ADD: net profit <u>83,000</u> 1,083,000 <u>Current liabilities</u>

Furniture 500,000 LESS: Depreciation ~~108,500~~ 391,500 Current Assets Stock 35,000 Debtors 350,000 LESS: Provision ~~3,500~~ 346,500 Cash in hand 150,000	Advance commission received 10,000 Creditors 550,000
1,643,000	1,643,000

6. Margin = $\frac{\text{G II}}{}$ GH2 = if margin = $\frac{40}{100}$ $\frac{2}{5}$

Them mark up = $\frac{2}{5-2}$ = $\frac{2}{3}$

(i) $\frac{40}{100} = \frac{\text{GII}}{270{,}000}$

GP = $\frac{40}{100}$ X 270,000

= 108,000

(ii) Net Profit = GP – Expenses

= 108,000 – 40,000

= 68,000

(iii) Average Stock

R.O.S.T = $\frac{\text{Cost of Sales}}{\text{Average Stock.}}$

6 = $\frac{162{,}000}{\text{Average Stock.}}$ Average Stock. = $\frac{162{,}000}{6}$ = 27,000

Mark = $\frac{\text{GP}}{\text{Cost of sales}}$

= $\frac{108{,}000}{162{,}000}$ X 100 = 66.6 %

7. Omollo's traders for the year 2006

(i) Gross profit

$$\text{Margin} = \frac{\text{Gross profit}}{\text{Net sales}}$$

$$40\% = \frac{G.p}{270,000}$$

$$\text{Margin} = \frac{2}{5} = \frac{G.p}{270,000}$$

$$\frac{5GP}{5} \quad \frac{2 \times 270,000}{5}$$

GP = Shs.108,000

(ii) Cost of goods sold= sales – cost of goods sold

Cost of sales = 270,000 – 108,000

Cost of sales = shs.162,000

(iii) Net profit= Gross profit – Expenses

Cost of sales = 108,000 – 40,000

N.P = Shs.68,000

(iv) Average stock

$$\textbf{Rate of stock turnover} = \frac{\textbf{cost of sales}}{\textbf{Average stock}}$$

$$6 = \frac{162,000}{A.S}$$

$$A.S = \frac{162,000}{6}$$

A.S= shs.27,000

8. a) (i) Cost of sales

R.O.S.T.O = $^{G.O.S}/_{A.S}$

Firm x

6.4 = $^{COS}/_{AV}$ ________ 6.4 = $^{COS}/_{8000}$

COS = 8000 x 6.4 = Shs.51, 200

Firm y

6.5 = $^{COS}/_{7000}$

COS = 7000 x 6.5 = 45,500

ii) Gross profit

$$\textbf{\textit{Mark up}} = \frac{\textbf{\textit{Gross profit}}}{\textbf{\textit{Cost of sales}}}$$

Firm X

$^{20}/_{100} = {}^{G.P}/_{51,200}$

$$G.P = \frac{20 \times 51200}{100}$$

G.P = 10,240

Firm Y

$$^{20}/_{100} = {}^{G.P}/_{45500}$$

$$G.P = \frac{20 \times 45500}{100}$$

$$= 9100$$

iii) Rate of return on capital = $\frac{\text{Net profit}}{\text{Capital}}$ x 100

Firm X = $^{4608}/_{30720}$ x 100 = 15%

Firm Y = $^{4914}/_{24570}$ x 100 = 20%

9.

LADOPHARMA CHEMIST TRADING RPOFIT AND LOSS A/C For the year ended 30th June 2008	
	Shs.
Shs.	Sales
Opening stock	130,900
23,910	Return inwards
Purchase	550
92,100	
Returns outwards 307	130,350
91,973	Gross profit b/d
Carriage inwards	41,907
215	
115,918	
Slowing stock	
27,475	
Cost of sales	
88,443	
Gross profit c/d	
41,907	

130,350 Carriage outwards 309 Moor expenses 1,630 Rent 2,970 Telephone charge 405 Wages 12,810 Insurance 492 Office expenses 1,377 Sundry expenses 284 Net profit c/d 21,630 41,907	41,907

LODAPHARMA CHEMIST BALANCE SHEET As at 30th June 2008					
Capital	30,955		Fixed assets		
Net profit	21,630	52,630	Equipment	6,250	
Drawings		8,420	Motor vehicle	4,100	10,350
		44,165			
Current liabilities			Current assets		
Creditors		9,370	Stock	27,475	
			Debtors	12,300	
			Bank	3,115	
			Cash	295	
					43,185
		53,535			53,535

10.

JAO TRADERS

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING 31/12/2008

DR		CR
Opening stock		Sales
60000		208000
Add purchases	161000	Less returns in
Add carriage	11000	27000
	172000	
Less returns out	(25000)	181,000
147000		
G.A.F.S		
207000		

LESS closing stock (72000) Cost of sales 135000 Gross profit c/d <u>46000</u> <u>181000</u> Expenses Discount allowed 2000 Salaries 20000 Tel charges 5000 Less prepaid 1000 4000 Water bills 2100 Add accrued 1300 3300 Electricity expenses 2000 Carriage out 10000 Insurance paid 1000 Dep on equil ($^{10}/_{100}$ x 125000) 12500 <u>54800</u>	 <u>181000</u> Gross profit 46000 Discount rec 8000 Net loss c/d 800 <u>54800</u>

Net loss b/d 800	

11. ***The following trial balance relates to JOKOBURA STORES***

DR CR

JAKOBURA TRADERS

PROFIT AND LOSS A/C FOR THE YEAR ENDED 31/12/006

	SHS	SHS		SHS	SHS
Opening stock		48 000	sales		425 000
purchases		344 500			
Cost of goods available for sales		392 500			
Less closing stock		52 500			
Costs of goods sold		340 000			
Gross profit c/d		85 000			
		425 000			425 000
salaries	45200		Gross profit b/d	85 000	
Add general expanses accrued	1200	46 400	commission	42 800	
electricity	15240				

Less drawing	340	15 080			
depreciation					
Motor vehicles 150000x25/100		37 500			
Furniture 30000x7/100		2 100			
Equipment(55200-48576)		6624			
Net profit c/d		20096			
		127 800		127800	

12. The following information relates to Odongo Traders for the year ended 31.Dec 2008.

i) A balance sheet as at 31st Dec. 2008

Odongo traders

Balance sheet as at 31st Dec 2008

F.A					
Land	50,000		Capital	94,000	
Machinery	20,000		Less drawings	<u>4000</u>	
M/vehicles	<u>30,000</u>	100000			90,000
Current assets			<u>Long term liabilities</u>		
Stock	10,000		10yrs loan	20,000	
Debtors	6,000		5yrs AFC loan	<u>10,000</u>	
Cash at bank	10,000				30,000
Cash at hand	<u>2,000</u>	28,000	<u>Short term loan</u>		
			Creditors	6000	
			Expense occurred	<u>2,000</u>√	
			<u>8,000</u>		

128,000	
	128,000

ii) calculate-Borrowed capital = long term liabilities

= 20,000+10,000

= 30,000 -current ratio

Current assets : current liabilities

28,000:8000

28:8

7:2 *-capital owned*

C =A-L

= 128,000-38,000 = 90,000

Or

Capital-drawings

94,000-4000=90,000

13. BOSONGO WHOLESALERS

Trading, profit and loss Account

For the year ended 30th June 2008

	SHS	SHS		SHS	SHS
Opening stock		400	Sales		7000
Add purchases	3500		Less sales returns	150	6850
Less purchases returns	200	3300			
		3700			
Less closing stock		500			
Cost of sales		3200			
Gross profit c/f		3650			

6850

6850

Discount allowed 90 Gross profit b/f

3650

Insurance 210 Discount received

80

Net profit c/f 3530 Rent received

100

3830

3830

BOSONGO WHOLESALERS

Balance sheet As at 30th June 2008

Fixed assets SHS SHS SHS

SHS Furniture fitting 2000 Capital

13870

Motor vehicles 15000 17000 Add N.P 3530

17400

Current assets Less drawings 600

16800

Stock 500

Debtors 800 1300 Current liabilities

Creditors 1200

Bank overdraft 300

1500

18300

18300